

**LOUISIANA ASSOCIATION  
OF NONPROFIT ORGANIZATIONS, INC.**

**DECEMBER 31, 2013**

**BATON ROUGE, LOUISIANA**

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### Independent Auditor's Report

To the Board of Directors  
Louisiana Association of Nonprofit Organizations, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana Association of Nonprofit Organizations, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Association of Nonprofit Organizations, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of Louisiana Association of Nonprofit Organizations, Inc. as of December 31, 2012, were audited by other auditors whose report dated June 26, 2013, expressed an unmodified opinion on those statements.

## **Report on Summarized Comparative Information**

As noted above, the financial statements of Louisiana Association of Nonprofit Organizations, Inc. as of December 31, 2012 were audited by other auditors that expressed an unmodified opinion on those statements. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Baton Rouge, Louisiana  
June 24, 2014

# LOUISIANA ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

## STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012

### ASSETS

|                                | <u>2013</u>              | <u>2012</u>              |
|--------------------------------|--------------------------|--------------------------|
| <b>Current Assets:</b>         |                          |                          |
| Cash and Cash Equivalents      | \$ 345,337               | \$ 338,807               |
| Receivables                    | 8,142                    | 65,127                   |
| Prepaid Expenses:              |                          |                          |
| Insurance                      | 957                      | 5,502                    |
| Other                          | -                        | 5,529                    |
|                                | <u>957</u>               | <u>11,031</u>            |
| Deposits                       | <u>2,000</u>             | <u>2,000</u>             |
| Total Current Assets           | 356,436                  | 416,965                  |
| <b>Property and Equipment:</b> |                          |                          |
| Computers and Office Equipment | 70,526                   | 70,526                   |
| Office Furniture and Fixtures  | <u>28,196</u>            | <u>28,196</u>            |
|                                | 98,722                   | 98,722                   |
| Less: Accumulated Depreciation | <u>(89,896)</u>          | <u>(85,797)</u>          |
| Total Property and Equipment   | <u>8,826</u>             | <u>12,925</u>            |
|                                | <u><u>\$ 365,262</u></u> | <u><u>\$ 429,890</u></u> |

### LIABILITIES AND NET ASSETS

|                             |                          |                          |
|-----------------------------|--------------------------|--------------------------|
| <b>Current Liabilities:</b> |                          |                          |
| Accounts Payable            | \$ 20,631                | \$ 27,110                |
| Accrued Liabilities         | 6,191                    | 16,877                   |
| Deferred Membership Revenue | <u>79,992</u>            | <u>66,311</u>            |
| Total Current Liabilities   | 106,814                  | 110,298                  |
| <b>Net Assets:</b>          |                          |                          |
| Unrestricted                | 99,448                   | 189,592                  |
| Temporarily Restricted      | <u>159,000</u>           | <u>130,000</u>           |
| Total Net Assets            | <u>258,448</u>           | <u>319,592</u>           |
|                             | <u><u>\$ 365,262</u></u> | <u><u>\$ 429,890</u></u> |

The accompanying notes are an integral part of this statement.

**LOUISIANA ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012

|  | 2013         |                           |            | 2012       |
|--|--------------|---------------------------|------------|------------|
|  | Unrestricted | Temporarily<br>Restricted | Total      | Total      |
| <b>Revenues:</b>   |              |                           |            |            |
| Membership Dues  | \$ 168,119   | \$ -                      | \$ 168,119 | \$ 161,184 |
| Publications   | 3,560        | -                         | 3,560      | 6,960      |
| Sponsorships   | 33,000       | -                         | 33,000     | 40,099     |
| Grant Revenues   | 55,500       | 224,000                   | 279,500    | 447,010    |
| Contract Revenues  | 181,591      | -                         | 181,591    | 57,278     |
| Program Fees   | 16,575       | -                         | 16,575     | 5,800      |
| In-Kind Contributions                                      | 29,958       | -                         | 29,958     | 60,576     |
| Other Revenues   | 47,961       | -                         | 47,961     | 22,796     |
| Contributions  | 81,304       | -                         | 81,304     | 551,633    |
| Net Assets Released from Restriction                       | 195,000      | (195,000)                 | -          | -          |
| Total Revenues and Net Assets<br>Released from Restriction | 812,568      | 29,000                    | 841,568    | 1,353,336  |
| <b>Expenses:</b>   |              |                           |            |            |
| Program Services   | 582,281      | -                         | 582,281    | 975,961    |
| Support Services   | 320,431      | -                         | 320,431    | 312,141    |
|  | 902,712      | -                         | 902,712    | 1,288,102  |
| <b>Change in Net Assets</b>                                | (90,144)     | 29,000                    | (61,144)   | 65,234     |
| <b>Net Assets - Beginning of Year</b>                      | 189,592      | 130,000                   | 319,592    | 254,358    |
| <b>Net Assets - End of Year</b>                            | \$ 99,448    | \$ 159,000                | \$ 258,448 | \$ 319,592 |

The accompanying notes are an integral part of this statement.

**LOUISIANA ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>Cash Flows From Operating Activities:</b>         |                          |                          |
| Change in Net Assets                                 | \$ (61,144)              | \$ 65,234                |
| Adjustments to Reconcile Change in Net Assets to     |                          |                          |
| Net Cash Provided by (Used in) Operating Activities: |                          |                          |
| Depreciation   | 4,099                    | 5,220                    |
| Changes in Assets and Liabilities:                   |                          |                          |
| (Increase) Decrease in Receivables                   | 56,985                   | (59,927)                 |
| (Increase) Decrease in Prepaid Expenses              | 10,074                   | (6,113)                  |
| (Increase) Decrease in Deposits                      | -                        | (2,000)                  |
| Increase (Decrease) in Accounts Payable              | (6,479)                  | 8,476                    |
| Increase (Decrease) in Accrued Liabilities           | (10,686)                 | 1,459                    |
| Increase (Decrease) in Deferred Membership Revenue   | <u>13,681</u>            | <u>17</u>                |
| Net Cash Provided by Operating Activities            | <u>6,530</u>             | <u>12,366</u>            |
| <b>Net Increase in Cash and Cash Equivalents</b>     | 6,530                    | 12,366                   |
| <b>Cash and Cash Equivalents - Beginning of Year</b> | <u>338,807</u>           | <u>326,441</u>           |
| <b>Cash and Cash Equivalents - End of Year</b>       | <u><u>\$ 345,337</u></u> | <u><u>\$ 338,807</u></u> |

The accompanying notes are an integral part of this statement.

# LOUISIANA ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

### **Note 1 - Summary of Activities and Significant Accounting Policies -**

#### Nature of Activities

Louisiana Association of Nonprofit Organizations, Inc. (the Organization or LANO) was created in 1997 as a division of the Foundation of a Better Louisiana to provide essential services to other nonprofit organizations in an attempt to strengthen the nonprofit sector in Louisiana. On May 7, 1999, Louisiana Association of Nonprofit Organizations, Inc. was incorporated and became an independent entity.

LANO is a statewide member organization that advocates for the nonprofit community and strengthens the effectiveness of those committed to improving Louisiana. The LANO mission is to be a “go-to” source for:

- high quality information, tools, resources, and member benefits that deepen the impact of Louisiana nonprofits;
- engaging multi-sector network - both virtual and physical – convening year round to leverage the shared goals and resources of Louisiana’s nonprofits and stakeholders; and
- written and spoken voice of advocacy for and about Louisiana’s nonprofit sector

The Organization accomplishes its mission through the following programs:

- Capacity building
  - technical assistance, training, consulting, and published resources to strengthen the effectiveness and efficiency of nonprofit organizations
  - regional and statewide educational meetings on topics of importance to nonprofit organizations, including funding, public policy, and management related issues
  - public policy initiatives, research, and analysis
- Community building
  - development and support of multi-sector partnerships
  - online Network platform for multi-sector communications, event promotions, career center, news, and blogs
  - member meetings, seminars, and webinars
  - multimedia outreach for network growth and sustainability



A summary of the Organization's significant accounting policies follows:

#### Accounts Receivable

Accounts receivable are considered past due based on their contractual terms. Management monitors receivables throughout the year, and all accounts considered to be uncollectible are written off. As of December 31, 2013 all accounts receivable were considered collectible; therefore, no allowances for uncollectible accounts were established.

#### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash in checking accounts, money market accounts, and highly liquid investments with original maturities of three months or less.

#### Concentration of Credit Risk

At various times during the year, cash on deposit with one banking institution may exceed the maximum amount allowed by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash to minimize this potential risk.

#### Contributed Services

The Organization recognizes revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### Deferred Membership Revenue

Membership dues that are paid prior to December 31<sup>st</sup> for subsequent periods are recorded as deferred revenue at December 31.

### Furniture and Equipment

Furniture and equipment are recorded at cost with depreciation being recorded using the straight-line method over the estimated useful lives of the assets (three to five years). Maintenance and repairs are charged to expense, while additions and improvements are capitalized. Donated property is recorded at its estimated fair value on the date of receipt, which is then treated as costs.

When assets are retired or disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gains and losses are recognized in the Organization's yearly operations.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain cost have been allocated among the programs and supporting services benefited. Program service expenses are the direct and indirect costs related to accomplishing the Organization's objectives. All other expenses are classified as supporting services. Accordingly, certain costs have been allocated among program services and supporting services based on records and estimates made by Organization's management.

### Grant Reimbursements

The Organization recognizes revenue and receivables on reimbursable grants to the extent that allowable expenses have been incurred.

### Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501 (a) of the Internal Revenue Code. Accordingly, no provision for income taxes is necessary.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that would more likely than not be substantiated upon examination. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Louisiana Association of Nonprofit Organizations, Inc. files an income tax return in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to federal tax examinations by tax authorities for years before 2010. Any interest and penalties assessed by income taxing authorities are not significant and are included in support services expenses in these financial statements, if applicable.

### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time, period, or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Organization does not have any permanently restricted net assets.

### Summary Financial Information for 2012

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended December 31, 2012, from which the summarized information was derived.

### Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation. Such reclassifications had no effect in the change in net assets as previously reported.

### Subsequent Events

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 24, 2014, the date which the financial statements were available to be issued.

### **Note 2 - Furniture and Equipment -**

Furniture and equipment consisted of the following at December 31, 2013:

|                                |                 |
|--------------------------------|-----------------|
| Furniture and Equipment        | \$ 98,722       |
| Less: Accumulated Depreciation | <u>(89,896)</u> |
|                                | <u>\$ 8,826</u> |

Depreciation expense totaled \$4,099 for the year ended December 31, 2013.

### **Note 3 - Line-of-Credit -**

The Organization maintains an unsecured \$100,000 operating line-of-credit at a local financial institution. The line of credit has an automatic renewal. There was not an outstanding balance on this line-of-credit at December 31, 2013.

**Note 4 - Temporarily Restricted Net Assets -**

Temporarily restricted net assets at December 31, 2013 were available for the following purpose:

|                                   |            |
|-----------------------------------|------------|
| Community Coaching and Leadership | \$ 159,000 |
|-----------------------------------|------------|

**Note 5 - Net Assets Released from Restrictions -**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors for the year ended December 31, 2013 is as follows:

|                                   |            |
|-----------------------------------|------------|
| Community Coaching and Leadership | \$ 195,000 |
|-----------------------------------|------------|

**Note 6 - Leases -**

The Organization has entered into various lease agreements for office space throughout the state. The majority of the leases are either on a month-to-month basis or have terms of twelve months or less. At December 31, 2013, the future minimum payments for those leases were as follows:

| <u>Years Ending</u><br><u>December 31</u> | <u>Amount</u> |
|---|---------------|
| 2014                                      | \$ 12,000     |

Rent expense totaled \$20,940 for the year ended December 31, 2013.

**Note 7 - Employee Benefits -**

The Organization sponsors a defined contribution retirement program for which it contributes 5% of the pay of all eligible employees. The program is available to all regular employees working 40 hours per week or more with at least two years of service. Contributions to this plan by the Organization totaled approximately \$19,000 during the year ended December 31, 2013.

**Note 8 - Louisiana Budget Project -**

In early 2013, the Louisiana Budget Project (LBP), which was originally created as a program of LANO, was incorporated as its own entity. At that time, LANO remitted the funds that it held on behalf of LBP to the newly formed organization. The transfer of funds totaled approximately \$166,000, of which \$121,006 was recorded as a contribution expense on these financial statements. The remaining \$45,000 was treated as an agency transaction, and represented the unspent portion of grants received by LANO on behalf of LBP in early 2013. Additionally, LANO acted as a fiscal agent and collected funds in the amount of \$198,175 on behalf of LBP. The funds were remitted to LBP upon receipt. The incorporation of LBP also impacted contribution revenue. In 2012, contributions included funds received for LBP as part of LANO. As LBP was a separate entity throughout 2013, no such contribution revenue is reflected for the year ended December 31, 2013.

## SUPPLEMENTARY INFORMATION

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Independent Auditor's Report  
on the Supplementary Information

To the Board of Directors  
Louisiana Association of Nonprofit Organizations, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Association of Nonprofit Organizations, Inc. (the Organization) as of and for the year ended December 31, 2013, and have issued our report thereon dated June 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The prior year summarized comparative information has been derived from LANO's 2012 financial statements, and in the previous auditor's report dated June 26, 2013 they expressed an unmodified opinion on those financial statements. The Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Baton Rouge, Louisiana  
June 24, 2014

**LOUISIANA ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH COMPARATIVE TOTALS FOR 2012

|                            | <u>Program<br/>Services</u> | <u>Support<br/>Services</u> | <u>2013<br/>Totals</u> | <u>2012<br/>Totals</u> |
|----------------------------|-----------------------------|-----------------------------|------------------------|------------------------|
| Conferences                | \$ 491                      | \$ -                        | \$ 491                 | \$ 7,923               |
| Consulting                 | 113,336                     | -                           | 113,336                | 144,590                |
| Contribution               | -                           | 121,006                     | 121,006                | -                      |
| Depreciation               | -                           | 4,099                       | 4,099                  | 5,220                  |
| Dues and Subscriptions     | 6,580                       | -                           | 6,580                  | 20,741                 |
| In-Kind Donations          | 13,708                      | 16,250                      | 29,958                 | 60,576                 |
| Member Benefits            | 20,578                      | -                           | 20,578                 | -                      |
| Other                      | 18,048                      | 17,340                      | 35,388                 | 76,055                 |
| Payroll Taxes and Benefits | 49,608                      | 19,733                      | 69,341                 | 106,700                |
| Postage and Delivery       | 1,405                       | 790                         | 2,195                  | 1,066                  |
| Printing                   | 3,041                       | 1,125                       | 4,166                  | 32,442                 |
| Professional Services      | 33,750                      | -                           | 33,750                 | -                      |
| Rent                       | 19,684                      | 1,256                       | 20,940                 | 67,003                 |
| Salaries                   | 293,783                     | 120,186                     | 413,969                | 752,092                |
| Technology                 | -                           | 17,410                      | 17,410                 | -                      |
| Telephone                  | 8,269                       | 1,236                       | 9,505                  | 13,694                 |
| Total Expense              | <u>\$ 582,281</u>           | <u>\$ 320,431</u>           | <u>\$ 902,712</u>      | <u>\$ 1,288,102</u>    |

See independent auditor's report on the supplementary information.



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June 24, 2014

To the Board of Directors  
Louisiana Association of Nonprofit Organizations, Inc.  
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Louisiana Association of Nonprofit Organizations, Inc. (the Organization) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 24, 2014, on the financial statements of Louisiana Association of Nonprofit Organizations, Inc. The following summarizes our comments and suggestions regarding those matters.

### **Segregation of Duties**

#### Finding:

Internal controls are designed to safeguard assets and to help to deter losses from employee dishonesty or error. A fundamental concept in a good system of internal controls is segregation of duties. To the extent possible, duties should be segregated to serve as a check and balance of employee integrity and to maintain the best control system possible. The three duties that should be segregated whenever possible are (1) record keeping (access to general ledger, payroll records, reconciliations, etc.), (2) custody of assets (check signing ability, access to cash receipts, access to checks that have been signed, etc.) and (3) authorization (authority to order materials, hire employees, sign contracts, etc.). The basic premise is that no one employee has access to all phases of a transaction.

#### Recommendation:

Due to the limited number of staff in your office, the Organization should implement at a minimum, the following procedures to help mitigate the lack of segregation of duties. We recommend that the procedures listed below that are currently being done, continue to be performed. These processes will be even more important as the Organization moves the accounting function in-house in 2014. The new procedures will need to be formally documented.



- Bank statements, cancelled checks, and appropriate advices should be received unopened by someone (such as the CEO) other than employees maintaining cash records. These items should be reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly. In addition, the CEO should review the bank reconciliation.
- Currently, the administrator opens the mail, prepares deposits, and deposits the cash receipts. The administrator is also responsible for preparing billings. The lack of segregation of duties to receive and deposit revenues and prepare billings could result in misappropriation of assets. Someone other than the person who receives revenues and record the revenues should be responsible for depositing the revenues into the appropriate bank account. Additionally, billings should be prepared by someone other than the person who receives and records revenue.
- The payroll register and reports should be reviewed by someone (such as the CEO) other than employees maintaining payroll records.
- The CEO and finance committee should remain actively involved in the financial reporting and budgeting processes.

### **General Ledger Account Reconciliations**

#### Finding:

During our audit, we noted that some accounts (assets and liabilities) were not properly or accurately reconciled to the general ledger/trial balance, primarily due to the turnover of the third party CPA's accounting personnel during the year.

#### Recommendation:

We recommend that certain asset and liability accounts be reconciled from/to a subsidiary ledger or schedule on a monthly basis. Other accounts, such as prepaid expenses and accrued vacation, should be reconciled on at least a quarterly basis. This will identify any errors or misstatements in a timely manner and will ensure that the financial statements presented to the Board and Management reflect the most accurate and complete financial information.

### **Approval of Invoices**

#### Finding:

During the current year audit processes, we noted that not all of the invoices were approved in writing, but rather the signature on the check indicates the approval of the invoice.

#### Recommendation:

In order to clearly indicate approval, we recommend that all invoices be signed and dated indicating approval by the appropriate party.

### **In-Kind Donations**

#### Finding:

During the current year audit process, we noted that a donation of in-kind services was not recorded. As a result, an entry was required to increase in-kind donations and related expenses by \$16,250.

#### Recommendation:

In an effort to present more accurate financial statements during the year, we recommend that the necessary entries to record in kind donations be properly recorded in a timely manner.

### **Agency Transactions**

#### Finding:

During the current year audit process, we noted that there were several instances in which funds received on behalf of other organizations were treated as income, and payments remitting the funds to those organizations were treated as expenses. The Organization was acting as a fiscal agent in these transactions, therefore the transaction should have been recorded as agency transactions and any remaining funds owed at year end should have been reflected as a payable to the appropriate Organization.

#### Recommendation:

In an effort to present more accurate financial statements during the year, we recommend that the necessary entries to record agency transactions be properly recorded in a timely manner.

### **Use a Checklist for Review Procedures**

#### Finding:

During the audit process, we noted that the majority of the review procedures are performed electronically. As a result of this electronic review, the review and approval process is not adequately documented.

#### Recommendation:

In order to ensure that all review procedures are performed on a timely basis, we recommend that a comprehensive checklist be prepared to be used by the President/CEO and Accountant. The checklist should cover all review procedures that the Organization determines to be performed on a periodic basis including, but not limited to, bank statements, bank reconciliations, general ledger account analysis, financial statements and budget to actual reports. The checklist should include the procedure performed, the individual performing the procedure, the date the procedure was performed, the individual reviewing the procedure and the date of the review indicating approval.

### **Functional Allocation of Expenses**

Although salary allocations are being estimated for the appropriate functional category, we noted that management has not been maintaining adequate documentation to support their allocation of time spent between program services and support services.

We recommend that in order to better document the functional allocation of expenses, management maintain time records indicating time spent on program services and support services for at least two months out of the year that are representative of time spent during the year. This estimate could then be used as a basis for allocating time for the entire year between the various functions. In addition, the Organization should maintain separate time allocations on fund raising activities, if annual appeals or other such activities are conducted.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the use of Board of Directors, Audit Committee and Management of Louisiana Association of Nonprofit Organizations, Inc. and is not intended and should not be used for any other than these specified parties.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

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June 27, 2014

Ms. Celeste Viator, CPA  
Partner  
Hannis T. Bourgeois, LLP  
2322 Tremont Drive  
Baton Rouge, LA 70809

Dear Ms. Viator,

The Louisiana Association of Nonprofit Organizations (LANO) is in receipt of the management letter of recommendations as per our audit of 2013. We appreciate the suggestions that will assist us in strengthening internal controls and operating more efficiently as an organization.

Kelly Pepper  
President and CEO  
kellypepper@lano.org

BOARD MEMBERS

Tony Frey, Chair  
Keith Liederman, Vice Chair  
Philip Jordan, Treasurer  
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Christy Reeves

As you are aware, LANO is in the process of making a change in the operations of our general accounting. Effective June 30, 2014 we will have a part-time employee who will serve as our Finance Manager and be responsible for all general accounting for the organization. As we continue to work on this transition we will implement a **Segregation of Duties** as recommended – between our President, Finance Manager and Development Director.

With new transition in leadership, we have already begun a process to properly **Approve Invoices. General Ledger Account Reconciliations, including In-Kind Donations and Agency Transactions** are also part of our accounting transition plan – along with a **Checklist for Review**.

We have reviewed our calendar of programs and believe that the early fall is a good time of the year for us to conduct a **Functional Allocation of Expenses**. Which we know will assist us during our next audit engagement.

We value your thorough and thoughtful process and look forward to implementing your recommendations.

Sincerely,



Kelly Pepper  
President and CEO